

Message Text

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ORIGIN AF-10

INFO OCT-01 ISO-00 L-03 AID-05 CIAE-00 COME-00 EB-08
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FM SECSTATE WASHDC
TO AMEMBASSY KHARTOUM

CONFIDENTIAL STATE 158437

E.O. 11652: GDS

TAGS: EFIN, EAID, SU

SUBJECT: IMF AGREEMENT WITH SUDAN

REF: KHARTOUM 2769

1. ON JUNE 15 STATE AND TREASURY OFFICERS MET WITH IMF STAFF IN OFFICE OF US EXECUTIVE DIRECTOR TO IMF TO DISCUSS LATEST GOS ECONOMIC POLICY MEASURES AND CURRENT DEVELOPMENTS IN FUND/GOS NEGOTIATIONS. IMF STAFF STATED THAT TENTATIVE AGREEMENT HAS BEEN CONCLUDED WITH SUDAN FOR A FIRST TRANCHE LOAN OF SDR 20 MILLION (\$26 MILLION) TO BE FOLLOWED BY SDR 30 MILLION (\$37 MILLION) TRUST FUND LOAN. IMF EXECUTIVE BOARD WILL CONSIDER BOTH REQUESTS ON JUNE 28. NEGOTIATIONS FOR POSSIBLE TWO-YEAR STANDBY AGREEMENT WOULD BE INITIATED IN OCTOBER ONCE IMF HAS HAD

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OPPORTUNITY TO EVALUATE SUDAN GOV'S EFFECTIVENESS IN CARRYING OUT FISCAL MEASURES ANNOUNCED IN RECENT BUDGET PRESENTATION DURING FIRST QUARTER OF THEIR FISCAL YEAR AND MEASURES TO RESTRUCTURE EXPORT PRODUCTION INCENTIVES DURING THIS SUMMER. RESTRUCTURING THESE INCENTIVES WOULD BE IMPORTANT TO A SUCCESSFUL STANDBY. CONTEMPLATED STANDBY AGREEMENT COULD PERMIT SUDAN TO DRAW SECOND,

THIRD AND POSSIBLY PART OF FOURTH CREDIT TRANCHE. (FUND STAFF STILL REFLECTING ON WHETHER THREE-YEAR EXTENDED

FUND FACILITY (EFF) WOULD BE POSSIBLE ALTERNATIVE TO STANDBY PROGRAM.)

2. QUERIED AS TO ROLE ARABS MIGHT PLAY IN PROVIDING SUDAN NEEDED BALANCE OF PAYMENT (BOP) SUPPORT, IMF INDICATED THAT ARABS ARE EXPECTED TO REACT FAVORABLY TO THIS INITIAL IMF AGREEMENT AND PROVIDE ADDITIONAL FINANCIAL SUPPORT. WHILE IMF CLAIMS THAT SUCH ARAB SUPPORT IS BILATERAL MATTER REQUIRING INITIATIVE OF SUDANGOV, IMF ACKNOWLEDGES THAT IN RESPONSE TO A REQUEST FROM THE ARABS THEY HAVE PROVIDED THEM WITH NECESSARY STATISTICAL INFORMATION TO ASSESS BOP SITUATION.

3. THIS INFORMATION IS FOR EMBASSY INFORMATION ONLY. EMBASSY SHOULD NOT INDICATE TO HOST GOVERNMENT OFFICIALS OR OTHER CONTACTS THAT MEETING OCCURRED.

4. IMF LETTER CITED REFTEL IS, IN FACT, 19 SINGLE SPACED PAGES. WE ARE SENDING LETTER BY THIS WEEK'S COURIER POUCH IN LIEU OF TELEGRAM.

VANCE

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